

ADVANCED GCE
APPLIED BUSINESS
Unit 17: Business Law

F256

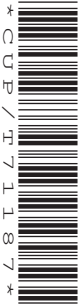
Candidates answer on the question paper

OCR Supplied Materials:
None

Other Materials Required:
None

Monday 19 January 2009
Morning

Duration: 2 hours



Candidate Forename		Candidate Surname	
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Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.

Examiner's Use Only:			
1			
2			
3			
4			
Total			

Text 1

Delia Winters had always dreamed of owning her own catering business but lacked finance. On advice from her bank, she carefully researched franchise options and decided on *Special Burgers plc* (SB plc) as its franchise contract offered the best support in terms of setting up the franchise, marketing and training. Moreover *SB plc* offered very competitive terms in relation to the percentage of profits taken from its franchisees such as Delia. Whilst training Delia was also impressed by the range and quality of the burgers offered by *SB plc*, as well as the company's ambition. It had massive expansion plans in the UK and was considering an extensive marketing campaign, including prime time television advertising.

Delia initially employed ten staff, and started trading just before Christmas 2007. She marvelled at the success of her business as it constantly exceeded turnover and profit targets, and she was confident about the future. However, one day after reading an article in a national newspaper, Delia became a little concerned. The article referred to a stormy Annual General Meeting of *SB plc* where shareholders reluctantly agreed to a proposed dividend payout but were really unhappy about how low it was, especially in light of the company's excellent profits. The Board of Directors claimed that *SB plc* needed to reinvest the profits in the company to finance its expansion plans and this would mean less financial borrowing would be required. Furthermore, there were rumours of a possible takeover of *SB plc* by an American burger chain. The shareholders made it clear that they expected better dividends next time they were distributed. The article went on to explain that sources from *SB plc* had informed the newspaper that because of these issues, and in order to avoid further problems, the Board of Directors was thinking of changing the company's legal status from a public limited company to a private limited company.

1 Refer to Text 1.

(a) Explain the term **limited liability**.

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..... [2]

(b) Explain **two** documents which are required to set up a company such as *SB plc*.

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..... [6]

(c*) Evaluate the case for and against *SB plc* remaining as a public limited company rather than becoming a private limited company.

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Text 2

Delia made sure her employees received excellent induction training. She also realised the importance of health and safety, especially in a catering business where there are many risks ranging from hot grills and fryers to slippery floors. In fact, Delia’s business has an excellent health and safety record. It also has a surprisingly low labour turnover for this type of business where employees tended to be young, relatively unskilled and change jobs frequently. The business had also expanded to sixteen staff by June 2008 and although employee relations were generally good, there were a few problems. Maruf Patel, one of the supervisors, had become increasingly worried about Emily Griffiths, the newest recruit. Emily had complained about the low wages, not receiving the same wage rate as other employees and unfair treatment – being asked to do the more menial jobs, such as washing up and cleaning, rather than being trained how to serve customers or cook the burgers. Maruf assured her that it was all part of the carefully developed induction training scheme but Emily did not believe him.

Emily started to turn up late to work and offered weak arguments for her poor punctuality. The situation became so serious that Maruf informed Delia, who found she had no choice but to give Emily a verbal warning and not pay her performance bonus for the month. This seemed to have the desired effect as Emily’s punctuality and general attitude to work improved. However, Emily’s true feelings became clear after one busy day when she reluctantly agreed to clean up the store as it was her turn. In her hurry to leave, Emily mopped the floor carelessly, and after taking a mobile phone call from her mother she slipped and sprained her ankle. Although Delia was cross, she was sympathetic and drove Emily home. The next day Delia received an angry telephone call from Emily’s mother, who said Emily could not work because of her injury. Delia did not believe that Emily’s injury was that bad and decided to dismiss Emily.

2 Refer to Text 2.

(a) (i) What is meant by **case law**?

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..... [2]

(ii) Explain **two** differences between **criminal law** and **civil law**.

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(b) Emily thought she was being treated unfairly by not being paid the same wage rate as other employees. Explain whether the Equal Pay Act may apply in this case.

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(c) (i) What is meant by **contributory negligence**?

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(ii) Emily had an accident at work. Explain **two** reasons why **contributory negligence** may apply in this case.

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(d) Evaluate whether or not Emily’s dismissal was fair.

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Text 3

Delia has made a number of useful business contacts while operating her franchise and Jed Handslip, originally from the USA but now settled in the UK, was both a close friend and business acquaintance. Jed was a butcher who ran a large company which supplied other restaurant chains with meat. Jed knew Delia's wish to add another outlet to her franchise operation, and had helped locate suitable premises in a nearby town where there were no similar specialist burger restaurants. Delia contacted *SB plc* to discuss the proposed expansion but did not mention Jed as a possible supplier. She opened her new outlet in December 2008. Maruf took over the management of her original outlet.

Delia's new restaurant was an immediate success. A leaflet drop based on information collected from the local community proved particularly successful.

However, there were a few problems. One night a customer complained that his burger contained a small, sharp piece of plastic. Delia apologised and offered a full refund but the customer was still very angry. He left muttering under his breath about court action. Delia was very concerned for her business' reputation. Additionally, Delia had received a new supply of burgers from Jed which claimed to be quarter-pounders but looked much smaller and were lighter than her previous supplier's burgers. Unfortunately, she had already sold some burgers supplied by Jed, as quarter-pounders, before realising that they were underweight.

3 Refer to Text 3.

(a) (i) State **two** provisions of the Weights and Measures Act.

1:

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2:

..... **[2]**

(ii) Explain how the **two** provisions stated in **part (a)(i)** may apply to Delia's business.

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(b) Delia had a contract with Jed Handslip for the supply of burgers. Outline **four** ways in which the contract between Delia and Jed could be terminated.

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[8]

(c) Explain **three** possible impacts of the Data Protection Act on Delia's business.

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Text 4

Delia's brother, George, a scientist, has developed cartons which will keep takeaway burgers fresher and warmer. The material is also remarkably environmentally friendly as it is developed from cornstarch. Delia recognised the benefits of the new packaging. She encouraged George to develop a logo for his new packaging and to legally protect his new invention before putting him in contact with the head office of *SB plc*.

4 Refer to Text 4.

(a) State **two** main provisions of the Trade Marks Act.

1:

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2:

..... [2]

(b) State **two** main provisions of the Copyright, Designs and Patents Act.

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(c) Explain **two** possible reasons why George should **patent** his environmentally friendly packaging.

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[Total: 8]

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